

Moulds & Dies sent by OEM to Component Manufacturer

When circular No. 47/21/2018-GST dated 08.06.2018 came, a query has been invariably made that the clarification at S.No. 1 of the table do not cover the situation when the moulds & dies are sent to component manufacturer on job work basis, because no such words are used therein.

For understanding this, the definition of job work at Section 2 (68) of CGST Act, 2017 may be seen. The same is as under: -

“2 (68): As per Section 2(68) of the Central Goods and Services Tax (CGST) Act, 2017, unless the context otherwise requires, the term “job work” means any treatment or process undertaken by a person on goods belonging to another registered person and the expression “job worker” shall be construed accordingly”.

As per this Section, it is a treatment or process undertaken by a person on the goods belonging to another registered person. Thus, for a job worker, it is important that “input” for processing has to come from the principal. The inputs also cover “intermediate goods” as per explanation under Section 143 of the CGST Act, 2017.

A Circular No. 38/12/2018 dtd. 26.03.2018 was issued wherein the scope / ambit of job work was mentioned. As per this, the treatment / processing

has to be undertaken on goods belonging to another registered person. It has also clarified that in **addition to goods received from the Principal, a job worker can use his own goods for providing the services of job work.**

This clarification makes two things clear: -

- (a) the goods (at least some of the goods) are necessarily to come from principal.
- (b) The job worker is providing the “services” of job work (i.e. he is supplier of service and not of goods).

Now back to the situation, where the component manufacturer is using all input / components of his own but the moulds and dies are being supplied by OEM. In this situation a component manufacturer is not a job worker and he is charging GST on goods after classifying in a specific “goods heading”. The circular No. 47/21/2018-GST dated 08.06.2018 is again to be read. It does not use the words “Principal” or “Job worker”. It uses the words, “OEM” and “Component manufacturer” making it obvious that there is no concept of job worker here. If the moulds & dies are being sent on FOC basis, the cost of same does not merit inclusion in value of supply and if the moulds & dies belong to component manufacturer but supplied by OEM, the cost has to be amortized.

One may say that Section 143 of CGST Act, 2017 also cover capital goods, which can be sent on job work. Yes, definitely, it covers two situations: -

- (a) when the input is also being supplied along with Capital Goods to job worker; or
- (b) when capital goods, itself needs to be sent for job work like repair, reconditioning, upgradation etc.

It does not cover situation when capital goods **alone** are sent for manufacturing of goods on behalf of OEM. It is outside the purview of definition of job work under Section 2 (68) of the Act. The definition of job work in rule (n) of CENVAT Credit Rules, 2004 was similar, though not identical but it has a rule at rule 4 (5) (a) (II) of said Rules that capital goods may be sent to a job worker. for further processing of intermediate goods or any other purpose, Rule 4 (5) (b) also laid down the provision for mould & dies to be sent out to job worker for production on his behalf. No parallel rules seem to be there in GST.

The clarification in Circular No 47/21/2018 –GST dtd. 08.06.2014 will appear to be self-explanatory and self-sufficient. Such movement of Moulds & Dies is not required to be shown in GST ITC-04 format.